

STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
P. O. BOX 942850  
Sacramento, CA 94250-5878

DATE: October 13, 2016

PAYROLL LETTER #16-009

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Debra Spellman, Chief  
Personnel/Payroll Services DivisionRE: **SEPARATION PROCESS WITH LUMP SUM DEFERRAL**

As the end of 2016 approaches, the Personnel and Payroll Operations Bureau (PPOB) would like to remind agencies and campuses of the procedures and tools available for preparing the separation PAR/PPT and supporting documentation.

- The Savings Plus Lump Sum Separation Pay Deferral Election Form (rev. 4/16) states the employee **must** submit the form 5 working days **prior** to the employee's separation effective date [refer to CalHR PML 2016-018, California Labor Code (CLC) 201(b) and (c); and CLC 202(b) and (c)]. However, both SCO and CalHR recommend agencies and campuses date stamp separation documents submitted by the employee when received. Agencies and campuses should encourage employees to submit the necessary separation documentation 30 days in advance of the employee separation date to allow the agency or campus time to verify calculations to Lump Sum and prepare the PAR/PPT. PPOB will cancel and return any PAR packages when the employee documentation does not meet the 5 day requirement.
- PPOB must receive the PAR/PPT no later than December 15, 2016 to ensure deferral amounts process timely for the 2016 tax year. For employees deferring into the 2017 tax year, PPOB must receive the second PAR/PPT no later than January 13, 2017 to ensure a Savings Plus account posting date of February 1, 2017. **Deferral amounts processed after these dates may result in CalHR charges assessed on the agency or campus as stated in PML 2011-042.**
- Agencies and Campuses can key an S70 separation transaction completing Item 606 only to ensure regular pay issues timely. Next, the agencies and campuses need to submit a corrected PAR/PPT with supporting documentation to PPOB for Lump Sum Deferral processing. Please follow the instructions below for processing the corrected PARs/PPTs.
- Ensure PAR/PPT Item 10 remarks clearly state the Savings Plus, Savings Plus ROTH, and/or Tax Shelter Annuity, 403(b) information.

- Agencies and campuses **must** indicate a separation effective date of November 1, 2016 or later on the PAR/PPT for those employees deferring into the next tax year. The employee's CalPERS retirement date should be November 2, 2016 or later. Employees with a CalPERS retirement date of November 1, 2016 or before, **DO NOT** qualify to defer into the 2017 tax year.

For employees deferring into the next tax year:

- On the original separation PAR/PPT, or corrected separation PAR/PPT if S70 previously processed by the agency or campus, Item 620 should show vacation and/or annual leave needed to cover the amount deferred to Savings Plus for the 2016 tax year only.
- Use Item 625 only after exhausting vacation or annual leave in Item 620 and the employee needs to use extra time, such as CTO, Holiday Pay, etc. to cover the amount they want deferred.
- Ensure that Item 10 remarks clearly state the Savings Plus, Savings Plus ROTH, and/or Tax Shelter Annuity, 403(b), information for 2016 tax year. The agency or campus must submit this PAR/PPT no later than December 15, 2016.
- Submit the corrected separation PAR/PPT, or second corrected separation PAR/PPT if S70 previously processed by the agency or campus, between January 1, 2017 and January 13, 2017 to ensure 2017 deferral amount posts to the Savings Plus account(s) by February 1, 2017. Item 620 should show the **total** vacation and annual leave paid and Item 625 should show the **total** extra time for both 2016 and 2017 tax years. Ensure that Item 10 remarks clearly state the Savings Plus, Savings Plus ROTH, and/or Tax Shelter Annuity, 403(b) information separately for both 2016 and 2017 tax years, if applicable.
- For employees claiming a tax exemption, the exemption will expire on January 31, 2017. Any Lump Sum payment issuing beyond the January pay period will revert to "single" and "0". Therefore, agencies/campuses **must** key an EAR transaction permanently exempting the employee from taxes to ensure Lump Sum payments after the January pay period issue correctly. To permanently exempt an employee from taxes, use the same procedures as the "deceased" employee EAR transaction in the PAM Section 10.16.1. PPOB recommends agencies and campuses key the permanent exemption EAR transaction prior to submitting the PAR/PPT and supporting documentation. **PPOB will not re-issue lump sum payments due to untimely or incorrect EAR transactions.**
- For employees participating in the Savings Plus "Catch-Up" program, **agencies and/or campuses must submit the Savings Plus Catch-Up Approval letter with the PAR/PPT.** Please advise employees to complete the Traditional Catch-Up Application and submit it directly to Savings Plus. To access this form, the employee must log on to their Savings Plus account or call the Savings Plus Service Center at (855) 616-4776.

- As stated above, PPOB recommends the agency or campus mail the PAR/PPT as early as possible. However, agencies and campuses located in the Sacramento area can hand-carry the PAR/PPT and supporting documents to PPOB. The receptionist window is located on the 10<sup>th</sup> Floor at 300 Capitol Mall. Please provide a contact name and phone number as well as an alternate contact on the PAR/PPT so that we may contact you as needed. **Please do not call to verify that PPOB received your PAR/PPT package.**
- Agencies and Campuses outside of the Sacramento area can fax one copy of the PAR/PPT and supporting documents to PPOB. Include item 10 remarks on the fax cover sheet and do not reduce the size of the original documents, as data may be too small to read. **Please do not call to verify that PPOB received your fax.** Include an agency or campus contact name and complete telephone number including extension and **identify an alternate contact** on the fax cover page. PPOB will communicate with the agency or campus contact or the alternate contact, as needed. Fax the documents to (916) 322-8137.
- PPOB will attempt to contact the agency or campus with PAR/PPTs errors. However, if PPOB does not receive a response by the close of business (COB) the following working day, the PAR/PPT will be cancelled and returned. For example, if PPOB leaves a voicemail message on Friday and does not receive a response from the agency by Monday COB, PPOB will cancel the PAR/PPT and return it to the agency or campus contact.
- CalHR's website contains a Lump Sum Calculator to assist agencies and campuses in calculating and running out leave time for employees separating from state service.
- PPOB reminds agencies and campuses to zero out balances on the California Leave Accounting System (CLAS), to accurately reflect the separated employee's leave balances
- Agencies and campuses should cancel direct deposit for all separating employees or PPOB will administratively cancel direct deposit. This enables the agency and campus to submit documents to PPOB early. This allows us time to process the requested action through the employment history and payroll systems, and leaves the agency or campus time to review and verify the payments issued correctly and the deductions were withheld. The agency or campus may then hold the warrant until the employee's final day to release the payment to the employee. Following these guidelines assists in a much quicker turnaround for corrections, if necessary.
- **If PPOB correctly processed the document as requested by the employee, we will not reprocess the documents. Please provide the appropriate information to your employees to ensure they make a thoughtful decision regarding their options before submitting documents. Savings Plus provides a checklist to help employees with items they should consider when retiring.**

If you need assistance with payroll related issues, please call SCO's Customer Contact Center at (916) 372-7200 to reach the Civil Service Payroll Liaison, PAR Liaison, or CSU Audits Liaison. The SCO website contains a Customer Contact Center Call Tree Diagram to help in directing callers to the appropriate area.

Referenced websites:

CalHR PML 2016-018: <http://www.calhr.ca.gov/PML%20Library/2016018.pdf>

CalHR PML 2011-042: <http://www.calhr.ca.gov/PML%20Library/2011042.pdf>

PAM Section 10: [http://www.sco.ca.gov/Files-PPSD/pam\\_10\\_decentralized\\_procedures.pdf](http://www.sco.ca.gov/Files-PPSD/pam_10_decentralized_procedures.pdf)

Savings Plus Retirement Checklists:

[https://www.savingsplusnow.com/iApp/tcm/savingsplusnow/learning/yourpath/retirement\\_is\\_near\\_you\\_feel\\_confident.jsp](https://www.savingsplusnow.com/iApp/tcm/savingsplusnow/learning/yourpath/retirement_is_near_you_feel_confident.jsp)

[https://www.savingsplusnow.com/iApp/tcm/savingsplusnow/learning/library/retirement\\_checklist.jsp](https://www.savingsplusnow.com/iApp/tcm/savingsplusnow/learning/library/retirement_checklist.jsp)

CalHR Lump Sum Calculator: <http://eservices.dpa.ca.gov/LumpSum/>

SCO Customer Contact Center Call Tree Diagram: [http://www.sco.ca.gov/Files-PPSD/ACD\\_Call\\_Tree.pdf](http://www.sco.ca.gov/Files-PPSD/ACD_Call_Tree.pdf)

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